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SUBJECT: SARKOZY ANNOUNCES MARSHALL PLAN FOR THE ENVIRONMENT

11. (SBU) Summary: On October 25, Nicolas Sarkozy, flanked by Al Gore, Wangari Maathai and Manuel Barroso, concluded the four-month French 'Grenelle' environment process calling for a series of measures to reduce greenhouse gas emissions, cut pesticide use, and implement a "freeze" on planting GMOs. He suggested imposing additional taxes on fossil fuels and urged the European Union to study levying a carbon tax on imports from countries not part of the Kyoto Protocol system. The Grenelle process and Sarkozy's presentation have received wide acclaim in France. Legislation to implement some of these measures comes next. The public success of the process gives France the boost it sought before it assumes the EU presidency in the second half of 2008 when it will put climate and the environment at the top of its agenda. A septel will follow containing policy recommendations in response to measures affecting U.S. interests. End summary.

12. (SBU) Sarkozy has put the environment at center stage from the outset of his presidency. He created a 'mega' environment ministry with responsibilities not only for traditional ecology and sustainable development, but also for transportation, energy and regional planning. He deemed the new minister to be the third ranking official in the government. But the most ambitious environment-centered effort was a process bringing together the government, business, farmers, NGOs and international environmental activists to develop concrete measures to reduce greenhouse gases, preserve biodiversity, and limit pollution. The 'Grenelle', named after a similar type of estates-general held following the turmoil of 1968, was called to develop a new social contract based on the environment (www.legrenelle-environnement.fr). Over the last several months, six working groups have met and considered issues relating to: climate change, biodiversity, health, sustainable production and consumption, governance, employment and competitiveness. Two inter-sectoral groups considered GMOs and pollution. Preliminary group reports were followed by regional consultations, leading up to a two day national meeting that concluded at the Elysee yesterday. While various groups criticized the process along the way - especially when Sarkozy ruled out any reconsideration of French reliance on nuclear power, overall the process received rave reviews across the political spectrum. The

environment is popular in France and Sarkozy's 'green team' of State Minister Borloo and Ecology and Sustainable Development Secretary of State Kosciusko-Morizet largely succeeded in

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capturing the public's and interest groups' attention and imaginations during these past several months.

France's 'Environmental New Deal'

13. (U) Measures of significance summed up by Sarkozy in his October 25 speech include those related to the climate and energy, agriculture, and health.

Carbon Taxes - Sarkozy has committed to studying the imposition of "climate-energy taxes." The idea is not to increase taxes domestically, but rather to increase taxes related to greenhouse gas emissions and lower those associated with labor. He emphasized he does not want to "penalize" French competitiveness nor the buying power of the French through the imposition of new net taxes. By way of example, he suggested the reduction of value added taxes on 'green' products. This matter is now referred to the French Parliament for further consideration. Sarkozy also proposed the "study" at the EU level within the next six months of an import tax on goods manufactured in countries not subject to a cap-and-trade system along the lines of the European Emissions Trading System. (This proposal was first advanced in the de Villepin government, but Sarkozy's speech was the first formal GOF endorsement.)

GMO Moratorium - As expected, Sarkozy announced the suspension of the commercial production of "pesticide GMOs" pending review by a new competent authority on biotech, which is to be established by year's end. Sarkozy also announced that France would adopt a national biotech law in the spring of 2008, transposing the EU directive on coexistence between biotech and

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conventional crops, as legally required. Sarkozy invoked the precautionary principle (which is incorporated in the French constitution) both in justifying this decision and in guiding future actions. While stating that France would live up to its EU and international commitments, he put the burden of proof on biotech advocates to prove the environmental and health benefits of biotech varieties stating that decisions would be founded on the "general interest" not individual commercial benefit. Open field research will be allowed to continue. The President condemned biotech crop destruction. (Comment: This announcement clearly jeopardizes MON 810 corn production, the only biotech crop commercially produced in France, and is likely to greatly reduce if not eliminate the possibility for 2008 planting. End comment.)

Energy - Sarkozy did not totally skirt the nuclear issue. He gave a nod to the environment community by proposing a freeze on "new sites" for nuclear reactors, leaving open building on existing nuclear sites. (The new European Pressurized Reactor under construction in Normandy is, for example, being built on an existing nuclear site and would, therefore, be exempted from this freeze.) Sarkozy also endorsed a 20% reduction in energy consumption by 2020 and declared that France would increase the content of renewable energy in its mix to 20% by 2020. The sale of incandescent bulbs will be banned after 2010. The GOF proposes a major program to reduce energy consumption in buildings by enhancing the building codes for new and renovated buildings substantially by 2008 and 2012.

Transportation - Sarkozy also articulated an ambitious proposal to freeze construction of new roads and airport infrastructure with certain exceptions. On the other hand, he proposed the extension of the system of public tramways and encouraged increasing by an additional 2,000 kms high speed trains. He gave the green light to new efficient maritime routes between Spain and France and Portugal and France. He proposed an 'eco' tax on heavy trucks. Interestingly, a proposal by one of the

Grenelle working groups to cut automobile speed limits did not make it into the President's speech.

Pesticide reduction - Under the new proposals, French agriculture could be subject to considerable change: targeting a great increase in organic farming and drastically reducing the use of pesticides (subject to the identification of viable alternatives). The Agriculture Minister is to submit within one year a plan to reduce the use of pesticides by 50% "if possible" within 10 years. Targeted pesticides are to be withdrawn from the French market.

Other - A number of other significant measures were reported by Sarkozy including those related to air quality and the recycling of household waste and packaging.

Next Steps

¶4. (SBU) In a preview earlier this week, Kosciusko-Morizet's chief of staff told us that the outcomes of the Grenelle would include a number of immediate operational decisions; a set of targets and timetables for future action, for which concrete mechanisms would be defined over the next several months; and, a set of medium term proposals that would require either domestic legislation or action at the level of the European Community. The former would be submitted to the National Assembly in early 2008 while the latter would become the centerpiece of France's EU presidency in the second half of the year. An advisor to Agriculture Minister Barnier stressed to us that French fear of GMOs was widely shared in Europe and the Grenelle process would lead to a broader European reconsideration of agricultural biotechnology. What France decides at the national level, he said, it would seek to expand to the Community, with expected broad popular support.

Not there yet....

¶5. (SBU) There has been relatively little discussion of costs and financing in the Grenelle discussions thus far. Sarkozy stressed the need for France to set the example on sustainable development which will require annual investment of up to one percent of GDP. More specifically, Sarkozy announced that the

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GOF would invest one billion euros over the next four years in R&D as well as in incentives to change behavior. There appears to be a general belief that most of the conservation measures mooted will pay for themselves and in turn enhance growth. A full accounting of projected costs has not been presented.

¶6. (SBU) Comment: Despite the skeptics, Sarkozy pulled off a domestic environmental (and political) coup. He has put France at the forefront of European environmentalism (at least according to the French). Jean-Louis Borloo and Natalie Kosciusko-Morizet, the State Minister and State Secretary for environment have proven themselves (to the French electorate) as environmental custodians for having shepherded the Grenelle process. And, of course, the process succeeded in bringing varied French stakeholders together. End Comment.

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